



# Senate

General Assembly

February Session, 2008

**File No. 70**

Senate Bill No. 277

*Senate, March 20, 2008*

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT ESTABLISHING A DIVISION REGULATING CAPTIVE INSURANCE COMPANIES WITHIN THE INSURANCE DEPARTMENT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1      Section 1. (NEW) (*Effective from passage*) (a) Notwithstanding the  
2      provisions of section 4-8 of the general statutes, and within available  
3      appropriations, not later than July 1, 2009, there shall be a Division of  
4      Risk Management within the Insurance Department, which division  
5      shall act on behalf of the Insurance Commissioner and at the direction  
6      of the commissioner to carry out the commissioner's responsibilities  
7      under title 38a of the general statutes with respect to the regulation of  
8      captive insurance companies.
- 9      (b) The commissioner shall appoint the directors and staff of the  
10     Division of Risk Management under the provisions of chapter 67 of the  
11     general statutes.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>from passage</i>	New section
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**INS***Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Insurance Dept.	IF - Cost	\$390,657	\$436,460

Note: IF=Insurance Fund

**Municipal Impact:** None

#### **Explanation**

The Department of Insurance (DOI) would incur a cost of \$390,657 to phase- in staffing and expenses related to the establishment of a new division responsible for the regulation of captive insurance companies within DOI in FY 09 and an annualized cost of \$436,460 in FY 10, as detailed below:

Item	Cost
0.5 Actuary	\$48,330
1.0 Program Manager	\$82,620
0.5 Reinsurance Specialist	\$38,046
1.0 Insurance Accredited Financial Examiner	\$32,860
Equipment (4 Computers)	\$4,800
Other Expenses	\$75,000
Fringe Benefits <sup>1</sup>	\$109,002
<b>TOTAL</b>	<b>\$390,657</b>

#### **The Out Years**

<sup>1</sup> The fringe benefit costs for non-General Fund state employees are budgeted for directly in the affected agency's budget. The actual fringe benefit rate for the Insurance Department was 54% as of February 2008.

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of captive insurance companies who register with the state, which is unknown at this time.

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**OLR Bill Analysis****SB 277*****AN ACT ESTABLISHING A DIVISION REGULATING CAPTIVE INSURANCE COMPANIES WITHIN THE INSURANCE DEPARTMENT.*****SUMMARY:**

This bill requires the Insurance Department to establish, by July 1, 2009, a Division of Risk Management within available appropriations. It requires the division to act on the insurance commissioner's behalf and at his direction to regulate captive insurance companies. It also requires the commissioner to appoint the division's directors and staff as provided in the State Personnel Act.

EFFECTIVE DATE: Upon passage

**BACKGROUND*****Captive Insurance Company***

A captive insurer is an insurance company an organization owns that insures exclusively the risks of that organization and its affiliated companies. In the case of a group or association, it is an insurance organization the group or association owns that insures the risks of the members and affiliates.

***Related Bill***

The Insurance and Real Estate Committee reported out SB 281, which permits captive insurers to domicile in Connecticut and sets out a regulatory framework for such companies.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea    18    Nay   0    (03/06/2008)